

Commodity Market Update

Date Issued | 31st May, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities advanced in price with the exception of cocoa price.

- Gold price appreciated by 1.41% to \$1,905.30 compared to the previous week's price of \$1,878.90.

- WTI and Brent Crude also edged up by 4.31% and 4.80% at \$66.32 and \$69.63 respectively to close the trading week.

- Cocoa price on the contrary dipped by 2.58% at \$2,392.69 to close the week compared to its price of \$2,456.00 in the previous week.

- On a year-to-date basis, gold went up by 0.54% while cocoa depreciated in price by 1.31%. On the other hand, WTI and Brent crude oil, both advanced in price by 36.69% and 34.42% respectively.

- Year-on year, gold and cocoa increased in price by 10.24% and 2.60% respectively. Also, WTI and Brent crude oil strengthened by 96.74% and 97.31% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL ENDS AT TWO-YEAR HIGH AS DEMAND OUTLOOK COUNTERS SUPPLY FEARS

- Oil prices ended the week more than 4% higher, with global benchmark Brent edging up on Friday (28/05/2021) to settle at a two-year high, as strong U.S. economic data and expectations of a rebound in global demand outweighed concerns about more supply from Iran once sanctions are lifted.

- Robust economic data from the United States, the world's largest economy and oil consumer, also lent support as the number of Americans filing new claims for unemployment benefits fell to the lowest since mid-March 2020, beating estimates.

- The prospect of more Iranian oil coming on to the markets also capped the gains. Thus, Iran and global powers have negotiated in Vienna since April to work out steps that Tehran and Washington must take on sanctions and nuclear activities to return to full compliance with Iran's 2015 nuclear pact with world powers.

- Rising coronavirus infections in Asia put pressure on prices. Infections in the South Asia region surpassed 30 million on Friday, according to a Reuters tally, led by India which is struggling with a second COVID-19 wave and a vaccine shortage across the region.

- Also in the United States, crude output jumped 14.3% in March to 11.2 million barrels per day, after being hit by a cold snap in February, the government said in its latest monthly report.

- We therefore expect oil prices to be stressed this week due to excess supply.

GOLD

GOLD SET FOR BIGGEST MONTHLY RISE IN 10 ON SOFT DOLLAR, INFLATION RISK

- Gold rose to above 1900 an ounce on Friday (28/05/2021), extending 4 consecutive weeks of gain and trading at 4-month highs, with investors continuing to favor the safe-haven asset as an inflation hedge amid increasing price pressures and further stimulus measures as the global economy recovers from the coronavirus pandemic.

- Gold firmed as the U.S. dollar headed for a second month of decline, while growing inflationary pressures also lifted bullion's appeal.

- US 10-year bond yields also eased to 1.579% as many policymakers have stressed their belief in the transient nature of the current inflationary uptick reducing the opportunity cost of holding non-interest bearing gold.

- Apart from the recent weakness in U.S. Treasury yields, factors including dovish Fed commentary to calm speculation about tightening policy has attracted flows into gold.

- We therefore expect gold price to remain stable this week as Investors' focus this week will be on U.S. payrolls data on 04/06/2021, with a forecast of an increase of 650,000

COCOA

COCOA PRICES CLOSE AT 1-1/2 WEEK LOWS ON ROBUST COCOA SUPPLIES.

- Cocoa prices settled mixed consolidated the week's losses. Cocoa prices last week fell to a 3-week low on robust cocoa supplies from the Ivory Coast. The Ivory Coast government reported that cumulative cocoa bean deliveries to Ivory Coast ports during Oct 1-May 23 were up +8.6% y/y at 2.15 MMT.

- Cocoa prices remain under pressure as the outlook for bumper cocoa crops in West Africa has undercut cocoa prices and sparked fund selling in cocoa futures. Cocoa farmers in the Ivory Coast and Ghana have reported favorable growing conditions that bode well for the mid-crop harvest.

- The ongoing global pandemic is raising uncertainty about cocoa demand. Global demand is mixed for cocoa prices after the National Confectioners Association reported that Q1 North American cocoa processing rose +2.0% y/y to 117,956 MT, below expectations of +2.5% y/y.

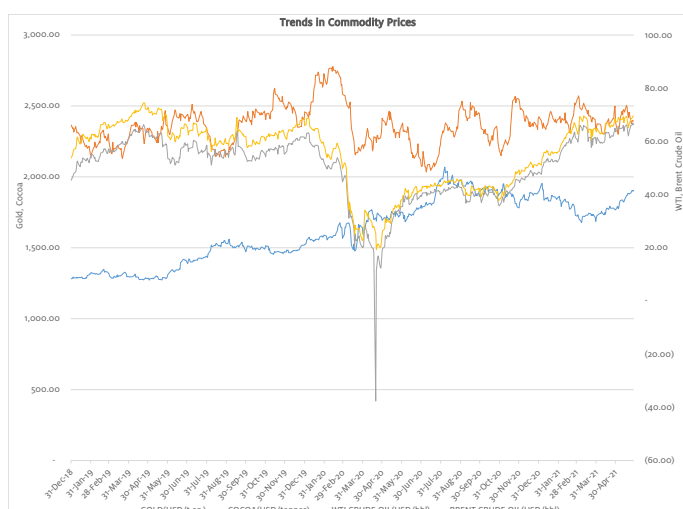
- In the week ahead, our expectation is for cocoa trade sideways due to demand and supply factors.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,886.70	1,905.30	1,878.90	1.41
Cocoa ICCO	USD/ton	2,384.38	2,392.69	2,456.00	(2.58)
WTI Crude	USD/bbl	66.05	66.32	63.58	4.31
Brent Crude	USD/bbl	68.46	69.63	66.44	4.80

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,905.30	1,886.70	0.54	10.24
Cocoa ICCO	2,399.44	2,374.05	(1.31)	2.60
WTI Crude Oil	66.85	66.05	36.69	96.74
Brent Crude	69.63	68.46	34.42	97.31

Source: Bloomberg; International Cocoa Organization



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